

Azerbaijan: Market at the Crossroads

By Robert Hanson and Rauf Mekhtiyev

As one of the newly independent countries of the former Soviet Union, Azerbaijan is strategically located at the crossroads of the Middle East, Asia and Europe. Azerbaijan borders the Caspian Sea, where oil and gas reserves are enormous. Its neighbors include Turkey, Georgia, Russia, Iran and Armenia. About the same size as Maine, its population numbers a little more than 8 million.

Despite being energy-rich, Azerbaijan's per capita gross domestic product is under \$700 a year. While low income levels prevail throughout the country, Baku is a vibrant city that is home to the energy sector workforce and a large expatriate community. With the introduction of GSM-102 Export Credit Guarantee and Supplier Credit Guarantee Programs in early 2002, FAS is working with the U.S. Department of Commerce's Foreign Commercial Service in the U.S. Embassy in Baku, Azerbaijan, to generate opportunities for American food and agricultural exporters. For 2003, the GSM-102 and Supplier Credit programs were increased to \$7 million each. The terms of the GSM-102 program were also increased to three years. Importers have already expressed interest in these favorable terms.

A Market in Early Development

Azerbaijan remains a difficult place to do business, due to arbitrary tax and customs administration, a weak court system and monopolistic market regulation. The



future, however, has potential. Through an international oil consortium, the country is developing its valuable energy resources.

Agriculture is the largest employer in Azerbaijan, and the country could become an important regional exporter of cotton, grapes, tea, tobacco, fruits and nuts. However, imports are essential to feed the population. In 2001, Azerbaijan imported some \$236 million worth of food and agricultural products including poultry, wheat flour, rice and nonfat dry milk—much of the last three arriving as food aid.

While U.S. agricultural exports to Azerbaijan still remain small (anywhere from \$5 million to \$20 million a year), projections of economic growth are extremely promising, providing opportunities for savvy businesses to benefit from a relatively untapped market.

U.S. products have a good, strong image, and U.S. tastes are welcomed by younger consumers. Currently, best prospects include poultry products and other meats, and high-value consumables for the retail and catering sectors.

The country's food retailing sector is in sharp transition, moving from state-owned to privately owned outlets. Many small retailers buy goods on consignment and in very small quantities. Larger supermarkets and a food service sector are emerging, especially those catering to oil and gas production workers. But they are still few in number, and most Azerbaijanis purchase foods at bazaars that offer low prices. Existing supermarkets cater to the affluent Azerbaijani and expatriate communities.

In general, the Azerbaijan consumer prefers fresh foods prepared in the home. The country has one of the world's high-

est bread consumption rates. Fresh fruits and vegetables are also very popular. Meat and fish consumption tends to be limited to higher income households, and beans and grains are the primary protein sources for many people.

While a wide variety of crops are grown in Azerbaijan, in general, processing and storage facilities are outdated. In the early stages of development are several joint processing ventures—for example, Nabran (which produces fruit juices) and the Caspian Fishing Company (which processes caviar, sturgeon, fish oil and fish meal). Local milk production has also been on the rebound, with a local company recently producing the first tetra-pack milk found in Azerbaijan. Tetra-pack milk comes in little boxes; if the product has been heat-treated, it doesn't require refrigeration.

The biggest change in the last five years has been the rapid development of the institutional food service and the fast-food industries. Catermar and Aramark are among the largest catering companies. They purchase some foods at bazaars and import the rest directly or purchase it from local importers and wholesalers.

Best High-Value Product Prospects

Meat and poultry
Rice
Butter and margarine
Vegetable oils
Breakfast cereals
Pineapples, avocados and mangos
Coffee substitutes containing caffeine
Milk
Ground nuts
Protein meal
Sausages
Sugar
Chocolate and other cocoa products

AZERBAIJAN HAS ONE OF THE WORLD'S HIGHEST BREAD CONSUMPTION RATES.

Catering services supply food directly to Azerbaijan's oil and gas workers. Local restaurants specializing in Azerbaijani and Turkish-style foods provide most fast-food services. McDonald's only recently opened its second restaurant in the country.

The Import Process

Azerbaijani food regulations are based on slightly updated rules from the government standards of the former Soviet Union. The Azerbaijani food regulation agency is closed pending a complete reorganization.

The state veterinary committee and the state plant quarantine inspection, together with the Ministry of Agriculture, regulate all food and agricultural imports. Final import approval of any product is subject to the importing rules and regulations as interpreted by border officials at the time of product entry. Local contacts are essential for success.

Information on the label must be in the official language, Azerbaijani, including name and brand of the product, address of the producing company, country of origin, expiration date, nutritional and caloric values, net weight, list of ingredients and additives, usage instructions, name and type of packing material and special warnings as appropriate.

To import any food into Azerbaijan, an importer must first submit a written

application to the Ministry of Agriculture. Attached to the application letter must be a completed import permit form, a certificate of origin, a certificate of quality, a copy of the purchase contract and a copy of the importer's company charter.

For customs clearance, the importer must submit an import license from the Ministry of Agriculture, a certificate of origin, a certificate of quality, a veterinary certificate for animal products, a phytosanitary certificate for plant products from the country of origin and an analysis report from the exporter on the physical content of the product.

While this process sounds a bit arduous, developing contacts with experienced importers in Azerbaijan is key to entering the market. ■

Robert Hanson is the agricultural attaché in Ankara, Turkey, and Rauf Mekhtiyev is a marketing specialist working in Baku, Azerbaijan. For more information or assistance in entering the Azerbaijani retail market, contact:

The FAS office, U.S. Embassy, Ankara, Turkey. Tel.: (011-90-312) 455-5555; Fax: (011-90-312) 467-0045; E-mail: AgAnkara@fas.usda.gov

The Foreign Commercial Service, U.S. Embassy, Baku, Azerbaijan: Tel.: (011-99-412) 98-0335, Ext. 4244; Fax: (011-99-412) 98-6117

For more details on exporting to Azerbaijan, see FAS Reports AJ2004 and AJ2005. To find them on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

